

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6373

BILL NUMBER: HB 1077

DATE PREPARED: Nov 18, 1998

BILL AMENDED:

SUBJECT: Judges' pension issues.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill makes the following provisions:

1) provides that a person who serves as a full-time magistrate in an Indiana court after June 30, 1999, is a participant in the Judges' 1985 Benefit System. It provides for prior service credit in the Judges' 1985 Benefit System for participants who are full-time magistrates.

2) provides that a participant in the Judges' 1977 Benefit System or a participant in the Judges' 1985 Benefit System is eligible for normal retirement benefits if the participant is at least 55 years of age and the participant's age in years plus years of service is at least 85.

3) allows participants in the Judges' Retirement System to purchase service credit at full actuarial cost for prior service in PERF covered positions other than full-time commissioner, magistrate, or referee.

4) requires the monthly benefits payable to participants, survivors, and beneficiaries under the 1985 Judges' Retirement System to be increased by the same percentages and under the same conditions as monthly benefits are increased for members of the Public Employees Retirement Fund (PERF).

(The introduced version of this bill was prepared by the Pension Management Oversight Committee.)

Effective Date: July 1, 1999.

Explanation of State Expenditures: (1) There are 32 full-time magistrates eligible to become members of the Judges' Retirement System. The cost is estimated to be approximately \$115,000 over the next five years. The fund affected is the State General Fund.

(2) This is known as the Rule of 85. The fiscal impact is shown in the table below:

<u>Plan Year</u>	<u>Increase in Recommended Contribution</u>
1999-2000	\$38,053
2000-2001	54,954
2001-2002	152,820
2002-2003	295,825
2003-2004	<u>438,830</u>
TOTAL	\$980,482

The increase in unfunded liabilities would be about \$4,400,000. The fund affected is the State General Fund.

(3) Because the total cost is equal to the increase in actuarial cost, there is no fiscal impact.

(4) This is the cost of living adjustment for judges. The following illustrates the increase in Recommended Annual Contribution (based on a projection of benefit payouts) over the next five years.

<u>Plan Year</u>	<u>Increase in Recommended Contribution</u>
1999-2000	\$86,804
2000-2001	92,013
2001-2002	97,534
2002-2003	103,385
2003-2004	<u>109,589</u>
Total	\$489,325

This bill would affect only those participants under the 1985 Judges' Retirement System. The increase in unfunded liabilities would be approximately \$5,300,000. The fund affected is the State General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: PERF as administrators of the Judges' Retirement System

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF and the Judges' Retirement System, 576-1508.

Unfunded Actuarial Liability--The unfunded actuarial liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

Actuarial Cost--A cost derived through the use of present values. An actuarial cost is often used to associate

the costs of benefits under a retirement system with the approximate time the benefits are earned.